

Message Text

LIMITED OFFICIAL USE

PAGE 01 BUENOS 00578 242118Z

67

ACTION ARA-10

INFO OCT-01 IO-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-02 NSC-05 SS-15

STR-01 CEA-01 /082 W

----- 031166

R 242030Z JAN 75

FM AMEMBASS BUENOS AIRES

TO SECSTATE WASHDC 9671

INFO USMISSION GENEVA

LIMITED OFFICIAL USE BUENOS AIRES 0578

PASS USDOC

E.O. 11652: N/A

TAGS: EFIN, AR

SUBJ: ARGENTINA IMPLEMENTS VALUE-ADDED TAX

1. EFFECTIVE JAN 1 ARGENTINA IMPLEMENTED VALUE ADDED TAX TO REPLACE PREVIOUS SALES TAX. (RELEVANT STATUTES ARE LAW 20631 OF DEC 31, 1973, DECREE 499 OF AUG 20, 1974 AND GENERAL RESOLUTION 1653 OF OCT 1, 1974.

2. APPLICABILITY OF TAX--NEW VALUE ADDED TAX APPLIES TO SALES OF MOVABLE ASSETS, IMPORTS, AND SOME WORKS, RENTALS AND SERVICES. TAXATION OF SOME SERVICES IS IMPORTANT NEW FEATURE AS SALES TAX COVERED ONLY SALES OF MOVABLE ASSETS AND IMPORTS.

3. RATES--BASIC RATE OF TAXATION IS 13 PERCENT. HOWEVER CERTAIN SALES AND SERVICES WILL BE TAXED AT HIGHER 21 PERCENT. LAW ALSO PROVIDES FOR TAXATION OF CERTAIN IMPORTS AT 21 PERCENT--MAINLY LUXURY GOODS AND SOME MACHINERY AND EQUIPMENT.

4. CALCULATION OF TAX--TO CALCULATE ITS TAX LIABILITY,
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUENOS 00578 242118Z

COMPANY OR ENTITY INVOLVED APPLIES ABOVE TAX RATES TO SALES

PRICE OF PRODUCT OR SERVICE. IT THEN ALLOWED TO DEDUCT ALL VALUE ADDED TAXES ALREADY PAID ON ITS INPUTS. IN THIS WAY, EACH COMPANY PAYS TAX ONLY ON VALUE IT ADDS TO PRODUCT. TO OBTAIN CREDIT, COMPANY MUST BE ABLE TO VERIFY TO TAX AUTHORITIES--VIA PRESENTATION OF INVOICES IF NECESSARY-- THAT TAXES ON PREVIOUS STAGES PRODUCTION OR COMMERCIALIZATION ALREADY PAID. THUS SYSTEM THEORETICALLY SELF REGULATING SINCE EACH COMPANY HAS INTEREST IN ASSURING THAT VALUE ADDED TAX ON ITS PURCHASED INPUTS HAS BEEN PAID.

5. EXEMPTIONS--A VARIETY OF SALES, LEASES AND IMPORTS ARE EXEMPT FROM TVA INCLUDING: 1) AGRICULTURAL PRODUCTION, MOST PRODUCTS IN CONSUMER BASKET, AND SOME INDUSTRIAL AND RAW MATERIALS INCLUDING FUELS AND ELECTRIC POWER; 2) IMPORTS WHICH ENTER ARGENTINA DUTY FREE; 3) IMPORTS BY RELIGIOUS, CHARITIES, AND OTHER NON PROFIT INSTITUTIONS. EXPORTERS ARE ALSO EXEMPT FROM TVA, I.E., THEY MAY USE TVA TAXES PAID AS CREDIT AGAINST OTHER TAXES OWED.

6. PROBLEMS---THUS FAR, IMPLEMENTATION TVA SUBJECT CONSIDERABLE CONFUSION. GOA HAS BEEN QUITE HEAVILY CRITICIZED FOR INADEQUATE PUBLICITY AND PREPARATION. IN MANY CASES ITS NOT CLEAR UNDER LAW WHETHER OPERATION OR TRANSACTION SUBJECT TO TAX OR NOT. FIRMS REPORT THEY HAVING CONSIDERABLE PROBLEMS SWITCHING TO DOUBLE INVOICE SYSTEM, I.E., SHOWING TAX PAYMENT SEPARATELY. MOST OF THESE PROBLEMS PROBABLY WILL WORK THEMSELVES OUT WITH TIME AND GREATER FAMILIARITY.

7. PRICE IMPACT--IN THEORY, VALUE ADDED TAX IS NOT SUPPOSED TO RESULT IN PRICE INCREASES SINCE IT REPLACES SALES TAX OF ABOUT SAME LEVEL. IN PRACTICE, WE EXPECT UPWARD PRESSURE ON PRICES FOR SEVERAL REASONS. MANY ENTITIES APPEAR TO HAVE ADDED TVA TO EXISTING PRICES WITHOUT DEDUCTING SALES TAX, PARTLY FOR SIMPLICITY AND PARTLY TO INCREASE PROFITS. APPLICATION OF TAX TO SERVICE TRANSACTIONS IS NEW. MOREOVER MOST ENTITIES WILL HAVE TO PAY TVA WHILE EVASION UNDER OLD SALES TAX THOUGHT TO BE WIDESPREAD.

8. COMMENT: ENGLISH TRANSLATION OF LAW AND REGULATIONS WILL BE FORWARDED SEPARATELY.

HILL

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUENOS 00578 242118Z

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX LAW, VALUE ADDED TAXES
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUENOS00578
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750028-0280
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750124/aaaaauwd.tel
Line Count: 107
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUN 2003 by KelleyW0>; APPROVED <31 OCT 2003 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ARGENTINA IMPLEMENTS VALUE-ADDED TAX
TAGS: EFIN, AR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006